

Message Text

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ACTION EB-07

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FM AMEMBASSY ROME

TO SECSTATE WASHDC PRIORITY 9601

C O N F I D E N T I A L ROME 13813

E.O. 11652: GDS

TAGS: EGEN, ENRG, ENWT, IT

SUBJECT: EFFECT OF EXCESS TANKER CAPACITY

REF: STATE 198513

SUMMARY: WORLD WIDE EXCESS TANKER CAPACITY HAS HAD LITTLE IMPACT ON ITALIAN OPERATORS AND SHIPBUILDING INDUSTRIES. MAJOR SHIPYARDS PRESENTLY OPERATING AT NEAR-CAPACITY AND EXPECTED TO CONTINUE AT THIS LEVEL THROUGH 1978. GOI WILL CONSIDER PROTECTIONIST MEASURES ONLY IF WESTERN EUROPEAN SHIPBUILDERS' ASSOCIATION UNABLE TO NEGOTIATE AGREEMENT WITH JAPANESE SHIPBUILDING INDUSTRY TO REDUCE WORLDWIDE CAPACITY AND STABILIZE PRICES. END SUMMARY.

1. AS OF JULY 31, 1976, 21 TANKERS AGGREGATING 546,000 GT, I.E., 977,000 DWT, CONSTITUTING 13 PERCENT OF ITALIAN FLEET, LAID UP. PROBLEM HAS ALSO COMPELLED SHIPOWNERS TO SCRAP OBSOLETE AND INEFFICIENT TONNAGE. GOI DOES NOT FEEL PROBLEM SUFFICIENTLY GRAVE TO WARRANT INTERVENTION AT THIS TIME.

2. SHIPBUILDING INDUSTRY RESCUED BY LAW OF DECEMBER 1974, WHICH PROVIDES FOR RESTRUCTURING OF COMPANIES CONTROLLED BY FINMARE (GOVERNMENT HOLDING COMPANY WHICH OPERATES "ITALIA", "TIRRENIA", "ADRIATICA" AND "LLOYD TRIESTINO" STEAMSHIP COMAPNIES) BY PHASING OUT ALL PASSENGER VESSELS OVER THREE-
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YEAR PERIOD AND DEVELOPING LINER CARGO SERVICES, TANKER AND

BULK CARGO OPERATIONS. AS A CONSEQUENCE THIS LEGISLATION AND NAVY SHIPBUILDING PROGRAM FINCANTIERI (GOVERNMENT CONTROLLED HOLDING COMPANY WHICH OPERATES SEVEN OF THE EIGHT MAJOR SHIPYARDS ACCOUNTING FOR APPROXIMATELY 92 PERCENT OF THE SHIPBUILDING CAPACITY) ORDERBOOK AND PROGRAMMED CONSTRUCTION WILL KEEP YARDS OPERATING AT 85 PERCENT CAPACITY UNTIL 1979.

3. ITALY TOGETHER WITH WEST EUROPEAN COUNTRIES SEEKING NEGOTIATE WORLDWIDE AGREEMENT REDUCE SHIPYARD CAPACITIES AND STABILIZE SHIP PRICES. WEST EUROPEAN SHIPBUILDERS ASSOCIATION, SCHEDULED TO MEET WITH JAPANESE SHIPBUILDERS ASSOCIATION IN ROME ON SEPTEMBER 15 TO DISCUSS ISSUES. ACCORDING TO FINCANTIERI OFFICIAL, FAILURE TO REACH AGREEMENT ON REALISTIC SHIPBUILDING CAPACITIES AT THIS MEETING WILL IMPEL WEST EUROPEAN COUNTRIES TO ADOPT PROTECTIONIST MEASURES. BEAUDRY

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